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Bill No. HB 123

THE 2010 COALITION REPORT

April 2008

REINVESTING IN MONTANA'S ECONOMIC FUTURE

IN COOPERATION WITH MONTANA ECONOMIC DEVELOPERS ASSOC.

In the 1999 Legislative Session, Rep. Doug Mood sponsored HB260 entitled "Encourage Economic Development via Investment in Research/Commercialization Projects." The bill was a product of Governor Racicot's Jobs & Income initiative and the Vision 2005 (Agricultural) initiative. The bill was passed into law but used a coal tax diversion for funding. The funding source was ruled unconstitutional by the Montana Supreme Court, leaving the programs unfunded. A special session was called by Governor Racicot in May of 2000 to, among other things, fund the programs through a constitutional source. Then Rep. Karl Ohs sponsored HB1 during the 2000 Special Session. It was a bill entitled "Legislation appropriating funds from the General Fund for programs established through the good-faith efforts of the Fifty-Sixth Montana Legislature in HB260."

Thanks to the united efforts of great leadership and a large coalition of partners, the following programs were Initiated and funded or had their funding enhanced:

- Montana Growth Through Agriculture
- Montana Cooperative Development Center
- Montana Board of Research and Commercialization Technology
- Small Business Development Centers
- Montana Technology Innovation Partnership (formerly SBIR)
- Certified Regional Development Corporations (previously Certified Communities program)
- Montana Manufacturing Extension Center
- Trade and International Relations Bureau

The 1999 session sun-setted the programs after 5 years. In the 2005 session, that sunset was moved to 10 years, meaning that the programs now are schedule to sunset in 2010, necessitating their renewal in the 2009 session.

Prior to inclusion in this report, each program went through a review by a subcommittee of Montana Economic Developers Association (MEDA) to evaluate the involved economic development programs, determine if the programs should be recommended for reauthorization, what funding levels should be and what modifications, if any, should be made for program improvement.

This report has been assembled as a result of the committee's study and demonstrates each program's strengths, purpose and success.

Once again a call has gone out to form a coalition to insure that these proven and successful endeavors may continue far beyond their sunset of 2010.

Montana Code Annotated 2005

- (b) The interest income from \$140 million of the coal severance tax permanent fund that is deposited in the general fund is statutorily appropriated, as provided in 17-7-502, on an annual basis as follows:
- (i) \$65,000 to the cooperative development center;
 - (ii) \$1.25 million for the growth through agriculture program provided for in Title 90, chapter 9;
 - (iii) \$3.65 million to the research and commercialization state special revenue account created in 90-3-1002;
 - (iv) to the department of commerce:
 - (A) \$125,000 for a small business development center;
 - (B) \$50,000 for a small business innovative research program;
 - (C) \$425,000 for certified regional development corporations;
 - (D) \$200,000 for the Montana manufacturing extension center at Montana state university-Bozeman; and
 - (E) \$300,000 for export trade enhancement. (*Terminates June 30, 2010—sec. 6, Ch. 481, L. 2003.*)

Current Level Funding	Projects Funded	Total Value of Awards Given	Match by Non-State Funds	For Every Dollar Provided by the State	Total Financial Benefit to Clients as of 2002	Jobs Created and/or Retained as of 2006
\$1,250,000/yr	355 with 40% since 2004	8,350,976.22	\$51,880,524.38	\$6.21 Generated	\$101,302,972.70	588.5

The Montana Growth through Agriculture Program...

- Works to strengthen and diversify Montana's agricultural industry establishing public/private sector partnerships to assist with the development of innovative ag- business improvements and the commercialization and marketing of new ag-products transforming the industry, creating new jobs, and expanding small ag-business opportunities.
- Provides direct financial assistance through flexible term financing to individuals and organizations helping to improve ag-business and to develop and market new ag-products.
- Growth through Agriculture is an integral component of the Agriculture Marketing and Business Development Bureau. Partnering with the Trade and International Relations Bureau of the Department of Commerce they provide expertise to ag-based companies and individuals seeking to develop new markets, improve financial outcomes, research new business models and find alternative funding sources.

Need for Program:

The Growth through Agriculture Program is needed to...

- Support Montana's ag-industries to access financial assistance and professional expertise which improves and develops innovative products and establishes new markets.
- Provide access to financial assistance; both loans and grants, readily available to assist Montana's ag-businesses increase their success.
- Provide marketing and business assistance to existing ag-businesses seeking to expand and new ag-businesses with technical assistance, business planning, financing, project coordination and legal and regulatory guidance.

Program Goals and Measurements:

The Growth through Agriculture Program will continue to...

- Establish partnerships between state government and commercial ag-businesses to develop and expand new directions.
- Expand markets for both new and existing ag-products around the world creating new jobs and expanding opportunities.

The Growth through Agriculture Program will measure its success by tracking and reporting...

- The total number of awards and clients.
- The number and economic impact of projects.
- The number of new and/or retained full-time equivalent jobs added to the economy and the amount of financial return attributable to successful projects
...all to be reported by a survey of recipients to be conducted in 2008.

Risks if program is Not Funded:

Failing to fund the Growth through Agriculture Program would...

- Significantly reduce Montana's ability to compete in both domestic and global agriculture markets.
- Significantly reduce the technical and financial assistance available to individuals, businesses and organizations working to develop innovative effectively market innovative ag-based enterprises and products.

CERTIFIED REGIONAL DEVELOPMENT CORPORATIONS

STATISTICS FROM CALENDAR YEAR 2006

Current Level Funding	Federal and Private Dollars Leveraged	Number of Jobs Created and/or Retained	Businesses Assisted	Number of Loans	Total of Loans
\$425,000/yr	\$19.3 million	730	917	103	\$8.7 million

The Certified Regional Development Corporations Program...

- Encourages a regional approach to economic development.
- Facilitates efficient delivery of economic development programs.
- Supports regional planning and capacity building.
- Provides technical assistance to businesses and local governments.
- Helps local officials and communities pool limited resources, achieve economies of scale, build organizational skill and professional expertise, and foster regional collaboration.

Need for Program:

The Certified Regional Development Corporations Program is needed to...

- Assist local businesses on a regional basis.
- Provide loans to local businesses.
- Leverage private investments.
- Create and retain new jobs locally.

Goals and Measurements:

The Certified Regional Development Corporations Program will continue to...

- Encourage a regional approach to economic development.
- Facilitate the efficient regional delivery of economic development programs.
- Support regional planning and capacity building.
- Combine federal, state and local funding to increase the financial capacity of local governments to obtain professional economic development services, to assist local businesses, and expand local economies.

The Certified Regional Development Corporations will measure its success by tracking and reporting...

- The number of and total dollar amount of business loans provided.
- The total amount of private investment leveraged.
- The total number of jobs created and retained.
- The amount of assistance provided to local governments and businesses.
- The total amount of federal dollars managed.

Risks if Program is Not Funded:

Failing to fund the CRDC Program would...

- Keep most local governments and communities from continuing their access to professional economic development services due to limited local financial capacities.
- Make the provision of economic development services to local governments and businesses much more difficult.
- Create major obstacles to the effective and efficient delivery of state programs that assist local businesses.

MONTANA TECHNOLOGY INNOVATION PARTNERSHIP

(Formerly the Small Business Innovation Research Program)

Current Level General Funding	Federal and Other Programs Leveraged	11 Businesses Received 40 Awards in 2006	Number of New Companies Launched since 2004	Annual Dollar Awards Made to Companies	Businesses Assisted 2004—2007
\$50,000/yr	\$500,000/yr	53% assisted by MTIP	20	\$10—15 million	350

The Montana Technology Innovation Partnership...

- Helps tech-based companies compete more successfully for a larger share of the \$2+ billion in federal funding made available to small technology firms through SBIR and STTR programs.
- Offers high-level, individualized coaching services to candidate companies seeking to apply for federal SBIR and STTR funding.
- Presents a series of seminars designed to educate both the Montana tech-based business community and its related service providers.
- Coordinates with other programs serving small businesses, thereby avoiding duplication of services and resources.

Need for Program:

The Montana Technology Innovation Partnership is necessary for...

- Helping companies access the critical, early-stage capital essential for growing innovation into commercial success.
- Allowing companies to verify the feasibility of new technology; practicing and refining it.
- Allowing companies not required to repay either SBIR or STTR funds to spend more on jobs creation and wages.
- Helping businesses to access new money through federal programs without requiring matching funds of any kind.

Program Goals and Measurements:

The Montana Technology Innovation Partnership will...

- Continue to leverage small investments of state funding into millions of new federal dollars for direct investment in small tech-based companies.
- Expand focus on the successful commercialization of technologies developed by these small, tech-based companies and the jobs they create.
- Continue collaborating with other key providers to avoid unnecessary duplication of services.

The Montana Technology Innovation Partnership will measure its success by tracking and reporting the...

- Total number and total value of SBIR and STTR Awards combined.
- Total number of STTR Awards.
- Total number of first-time clients and total number of all clients assisted.

Risks if Program is Not Funded:

Failing to renew funding for the Partnership would result in...

- The loss of MTIP support to the increasingly important technology based business community.
- The possible loss of \$10 to \$15 million annually in federal SBIR and STTR funds presently coming into the state
- The loss of commercialization success arising from funded technologies which means the loss of more higher-paying jobs for Montana workers and the loss of increased tax base for Montana.

TRADE AND INTERNATIONAL RELATIONS BUREAU

STATISTICS FOR 2000—2007

Current Level Funding	2000 Total state exports	2007 Total state exports (estimated)	% of Export Sales increase 2000-2007 (estimated)	Annual Average business export counseling sessions	Annual Average Foreign Diplomatic and Trade delegation visits coordinated
\$300,000/yr	\$796.6 million	\$1.7 billion	213%	960	15

The Trade and International Relations Bureau....

- Provides consultation and training by export trade and marketing specialists.
- Maintains trade representative offices in Taiwan and Japan promoting agriculture, tourism, value-added products, and opportunities in higher education to East Asia markets.
- Serves as the protocol and international liaison for the Governor's Office and the Montana Department of Commerce.
- Coordinates the Made in Montana Program, Trade Show Assistance Program, and product promotions

Need for Program:

Exports are an increasingly important sector of Montana's economy.

- Competition from other states, regions and countries promoting their products and commodities worldwide.
- Creates access to marketing and export training for businesses through seminars, trade events, and market research services.
- Represents the State's interests in international trade, agriculture, tourism and education.

Program Goals and Measurements:

The Trade and International Relations Bureau continues...

- To assist Montana companies to successfully compete in the global marketplace.
- To assist Montana companies to become compliant with US export regulations.
- To promote Montana as a premiere tourist destination, as well as a source for quality agricultural and value-added products and educational opportunities.
- The work of the Trade and International Relations Bureau will measure its success by tracking and reporting...
- Annual export value of Montana products to overseas markets
- Quarterly reports of office activities in support of Montana businesses

Risks if Program is Not Funded:

Failing to renew funding for the Bureau would result in...

- A loss of competitive advantage for Montana businesses in overseas markets
- Reduction in Montana's capacity to effectively market tourism and value-added products to overseas markets —especially to East Asia buyers.
- Puts Montana businesses at risk for being in non-compliance with US Export Control regulations, and subject to significant fines and civil penalties

MONTANA GROWTH THROUGH AGRICULTURE PROGRAM

STATISTICS FROM PROGRAM INCEPTION IN 1989

MONTANA SMALL BUSINESS DEVELOPMENT CENTER PROGRAM

State Funding Per Year	Return on Investment of State dollars (Federal and Local Funds)	Total Client Financing as a Result of SBDC Assistance Per Year	# Clients Counseled and Trained Per Year	Jobs Created/ Jobs Retained Per Year	# Counseling Hours Per Year
\$125,000/yr	\$5 for every \$1	\$64 million	4500	414/434	6,000

The Montana Small Business Development Center Program...

- Provides professional counseling and training services to small businesses that could not otherwise access or afford these services through a network of 10 statewide offices.
- Provides help primarily with the formation and development of business plans, financial projections, marketing strategies, and obtaining financing.
- Increases company's business management capacity and potential for profitability
- Is funded through federal, state, and local economic development organizations with both cash and in-kind contributions.

Need for Program:

Montana has one of the highest rates of self-employment and one of the highest rates of new business start-ups every year, and was ranked number one in entrepreneurial activity according to the Kauffman Index of Entrepreneurial Activity in 2007.

- Small businesses account for 75% of new job growth in Montana.
- The SBDC provides the professional support and direction that help these small businesses survive.
- 90% of small businesses fail within the first two years, but those businesses that seek and receive support and direction during start-up and in reaching the next level of growth have an 85% survival rate.

Program Goals and Measurements:

The Montana SBDC will continue to...

- Offer no-cost professional counseling and low-cost training to small businesses and start-up businesses, helping them to develop business plans, financial projections, and marketing strategies.
- Improve the survivability of Montana's small businesses and entrepreneurial activities through its 10 regional centers.
- Offer its services efficiently and cost effectively while working to expand funding sources and services.

The Montana SBDC will measure its success by tracking and reporting...

- The number of clients receiving counseling.
- The number of hours of counseling
- The number of clients receiving training.
- The number of hours of training
- The number of counseling and training sessions
- The number of existing businesses, start-up businesses, and pre-venture clients served.
- The number of start-up businesses still in business at the end of one year, the number of jobs created and/or retained, the growth in sales, new state and federal tax revenues generated, dollar amount of SBA and non-SBA loans and equity capital.

Risks if Program is Not Funded:

Failing to renew funding for the Montana SBDC would...

- Without state matching funds, the state and local offices would not have the funds to continue to operate the program with the current structure and level of service.
- Businesses that cannot otherwise access or afford professional guidance and support in developing business strategies will have an increased likelihood of failure.
- Small businesses in rural areas of Montana will suffer most from reduced access to affordable professional counseling and training.

MONTANA MANUFACTURING EXTENSION CENTER

2-YEAR STATISTICS FROM 7/1/05—6/30/07

Current Level Funding	Clients Served	Counties Served	Number of Jobs Created and/or Retained	Increased Sales	Client Investment	Client Satisfaction
\$200,000/yr	126	29	544	\$86,334,400	\$12,830,700	4.72 out of 5

The Montana Manufacturing Extensions Center...

- Assists manufacturers in adopting new, more advanced manufacturing technology, techniques, and business practices appropriate for small business.
- Provides information, training, decision support, and implementation assistance to Montana's manufacturers in all industries from value-added agriculture and job shops to advanced technology and alternative energy companies.
- Provides professional services regionally with five located engineers and a sixth engineer who provides business training in support of Montana's Agro-Energy Program.

Need for Program:

The Montana Manufacturing Extension Center is essential to the continued...

- Development of a diverse manufacturing base able to withstand nation-wide economic swings.
- Improvement of Montana's manufacturing competitiveness, increased export activity, and increased sales and profits.
- Creation of more and better manufacturing jobs, that pay higher than average wages, and create jobs in other related sectors of Montana's economy.
- Increases in the State's tax base from manufacturing revenues which account for more than 20% of that base.

Program Goals and Measurements:

The Montana Manufacturing Extension Center will continue to...

- Provide training, engineering, and business assistance to Montana's manufacturers.
- Increase the amount of services offered by the MMEC to Montana's manufacturers.

The MMEC will measure its success by tracking and reporting...

- Increased and retained manufacturing sales figures.
- Increased and retained manufacturing jobs.
- Capital investments made in Montana-based manufacturing.
- Freed up cash for expansion through cost savings to Montana's manufacturers.
- Clients served, projects completed, and counties served.

This information is collected and reported quarterly using a survey methodology developed and administered by the National Institute of Standards and Technology.

Risks if Program is Not Funded:

Failing to renew funding for the Montana Manufacturing Extension Center would...

- The loss of matching federal funds presently leveraged through the MMEC.
- Loss of support services which help to make Montana's manufacturers more successfully competitive.

MONTANA COOPERATIVE DEVELOPMENT CENTER

STATISTICS FROM PROGRAM INCEPTION IN 2000

Current Level Funding	Cooperatives Formed in the past three years	Cooperatives Pending	Number of Jobs Created and/or Re-tained	Total Payroll Benefit	Grants provided by MCDC	Dollars leveraged to date
\$65,000/yr	23	13	296	\$8,335,807	\$20,000	\$3.5 million

The Montana Cooperative Development Center...

- Provides assistance to individuals and groups starting new businesses utilizing the cooperative business model.
- Promotes the development of new cooperatives and the improvements of existing cooperatives as a means of meeting the economic needs of rural Montana.
- Focuses primarily on cooperatively organized enterprises that implement value-added agriculture, forestry, energy, clothing, fitness, artisans, etc.

Need for Program:

The Montana Cooperative Development Center is essential to the continued...

- Growth and development of cooperative efforts among businesses which allows for increased markets and improved viability for participating businesses.
- Capacity of the MCDC to leverage federal funds building viable business opportunities and expanding state revenues.
- Retention of businesses through the establishment of effective and efficient cooperative efforts.

Program Goals and Measurements:

The Montana Cooperative Development Center will continue to...

- Develop and maintain businesses in rural Montana using the cooperative business model.
- Provide professional assistance to individuals and groups starting new businesses through the application of the cooperative business model.
- Promote new cooperative business efforts and to improve the efficiency and effectiveness of existing business cooperatives.

The Montana Cooperative Development Center will measure its success by tracking and reporting...

- The number of existing cooperative that have been strengthened by Center activities
- The number of new cooperatives that have been formed through Center activity.
- The number of direct jobs created, total payroll benefited, and the potential economic sector benefit produced through new and existing business cooperatives.

Risks if Program is Not Funded:

Failing to renew funding for the Montana Cooperative Development Center would...

- Close the only existing statewide resource for business cooperative development.
- Put many small, rural Montana businesses in jeopardy by reducing their capacity to form and maintain effective business cooperatives.
- Reduce the number of small, rural Montana businesses that survive and thrive without

MONTANA BOARD OF RESEARCH AND COMMERCIALIZATION TECHNOLOGY

STATISTICS FROM PROGRAM INCEPTION IN 1999

Current Level Funding	Dollar amount for 127 projects funded	Non state matching dollars for 127 funded projects	Follow-on New Dollar Funding
\$3,650,000/yr	\$30 million	\$36 million	\$171 million

The Montana Board of Research and Commercialization Technology (MBRCT)...

- Provides a predictable and stable source of funding for research and commercialization projects.
- Expands and strengthens research efforts for the state's basic industries helping to increase their impact on the state's economy.
- Expands research efforts into areas beyond the scope of the state's basic industries diversifying and strengthening the state's economic security through the creation of technology-based operations and long-term quality jobs.

Need for Program:

Research has become an important industry in Montana, but competition for funding is keen.

- MBRCT funds are used by MUS research infrastructure projects to demonstrate the state's commitment to development of effective research efforts leveraging millions of additional federal dollars.
- Most of the MUS research projects sponsored through the MBRCT directly involve Montana companies resulting in a university research-technology transfer-company commercialization model that has proven very successful in expanding economic development in the state.
- Many of the MBRCT funded research and commercialization projects have resulted in the sale of new products by Montana companies.

Program Goals and Measurements:

The MBRCT program will continue to...

- Provide a predictable and stable funding source for research and commercialization projects.
- Expand and strengthen research and commercialization efforts for the state's industries increasing their positive impact on the state's economy.

The MBRCT will measure its success by tracking and reporting...

- The total matching funds leveraged by research and commercialization state funds. (at least 25% of total project costs)
- Additional funds obtained by Montana projects after receiving MBRCT funds increasing those funds by at least \$15 million per year.
- The total amount of grants made to production agriculture projects. (at least 20% of grant funds awarded annually)
- The total amount of grants made to clean coal and renewable energy projects. (at least 30% of grant funds awarded annually beginning in 2008)

Risks if Program is Not Funded:

Failing to renew funding for the MBRCT would result in...

- Lost capacity to compete effectively for research and commercialization funds from public and private funding sources.
- Lost ability by the MUS and other research and commercialization facilities to help Montana based companies to develop new products and to compete nationally and internationally for revenues.
- Direct losses to state tax revenues through reduced tax-base, in long-term jobs, and of leveraged research and commercialization dollars presently brought into the state by MBRCT efforts.